

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANAGU 00765 251554Z

64

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 COME-00 H-01 CIAE-00

INR-07 LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01

FRB-03 OMB-01 PA-01 PRS-01 USIA-06 /047 W

----- 037031

R 251520Z FEB 75

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 6333

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN SALVADOR

LIMITED OFFICIAL USE MANAGUA 0765

E. O. 11652: N/A

TAGS: EAGR, ETRD, NU

SUBJECT: COTTON

SAN SALVADOR ALSO FOR AGATT

SUMMARY: COTTON BROKERS MET WITH SOMOZA FEBRUARY 22 AND ASSURED PRESIDENT ALL OF NICARAGUA'S COTTON CROP WOULD BE PURCHASED BEFORE MAY WHEN RAINS USUALLY BEGIN. NUMBER OF OTHER RELATED TOPICS WERE DISCUSSED AND SOMOZA WAS OBVIOUSLY PLEASED WITH RESULTS OF MEETING. END SUMMARY.

1. PRESIDENT SOMOZA HOSTED A WORKING LUNCHEON FOR REPRESENTATIVES OF LARGE COTTON BROKERAGE FIRMS ON FEBRUARY 22. GUESTS WERE VICTOR S. FRIEDMAN, LAWYER REPRESENTING COTTON GROUP; KARL BLANK OF COOK CO.; MAX VERNON OF COTTON IMPORT AND EXPORT; EDUARDO ESTEVE OF ESTEVE BROS.; HEINZ MOLSEN JR. OF H. HOLSEN AND CO.; ERNST TRACHSEL OF VOLKART; JACK WILSON OF WEIL BROS.; AMBASSADOR AND ECONOFF.

2. SOMOZA SAID COTTON GROWERS HAD ASKED HIM TO DISCUSS FOLLOWING TOPICS WITH BROKERS: (A) WILL 1974-75 NICARAGUAN
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANAGU 00765 251554Z

COTTON CROP BE PURCHASED BEFORE MAY 1975 WHEN RAINS

BEGIN; (B) THE REASONS NICARAGUAN COTTON IS SELLING FOR LESS THAN OTHER CA SOURCE COTTON IN WORLD MARKETS; (C) WILL BROKERS ASSIST IN BUILDING WAREHOUSING IN NICARAGUA FOR COTTON; (D) WORLD MARKET TRENDS FOR COTTON; AND (E) WHEN NICARAGUA WOULD AGAIN BE ABLE TO SELL COTTON ON FUTURES MARKET.

3. BROKERS SAID SALES OUTLOOK FOR NICARAGUA'S COTTON HAD IMPROVED MARKEDLY IN RECENT WEEKS AND THAT 350,000 BALES (500 LB. EACH) HAVE ALREADY BEEN SOLD, INCLUDING RECENT SALE OF 150,000 BALES TO JAPAN. THIS LEFT 150,000 BALES TO BE PLACED OF CROP THEY ESTIMATED AT 500,000 BALES OR 250,000 BALES IF NICARAGUAN COTTON COMMISSION ESTIMATE OF 600,000 BALES IS REACHED. REMAINDER OF COTTON CROP, THEY PROMISED, WOULD BE BOUGHT AT PREVAILING PRICES BEFORE MAY AND SUFFICIENT SHIPMENTS SHOULD BE MADE TO PERMIT UNDER-COVER STORAGE FOR REMAINDER BY MAY.

4. NICARAGUAN COTTON USUALLY SELLS AT TWO TO THREE CENTS BELOW GUATEMALAN AND SALVADORAN COTTON ACCORDING TO BROKERS. THIS IS DUE TO LOWER BREAKING STRENGTH AND DIFFERENT USES. IT WAS EXPLAINED THAT THIS WAS NORMAL IN WORLD MARKETS WITH EXACTLY SAME TYPES OF COTTON IN DIFFERENT LOCALES IN U.S. CARRYING SIMILAR DIFFERENTIAL. SPREAD OF FOUR TO FIVE CENTS IN RECENT WEEKS A MYSTERY TO BROKERS, WHO SAID IT MAY HAVE RESULTED FROM POOR CONDITION OF 1973-74 CROP WHICH WAS RAIN-DAMAGED AND INFECTED BY HONEY DEW. PRESENT CROP IS GOOD QUALITY AND SPREAD HOPEFULLY WILL SHORTEN AS THIS BECOMES KNOWN. PRICES HAVE AVERAGED \$34.50 CWT FOB FOR COTTON SO FAR SOLD.

5. PROBLEM OF STORAGE WAS ONLY BRIEFLY DISCUSSED AS THERE APPEARS TO BE NO PROBLEM FOR THIS CROP. SOMOZA DID OFFER IMPORT-FREE TREATMENT FOR STORAGE EQUIPMENT. SEVERAL COMPANIES HAVE PROSPECTS UNDERWAY TO EXPAND STORAGE. IN SUBSEQUENT CONVERSATION WITH AMBASSADOR, BROKERS ADMITTED LACK OF STORAGE DID LIMIT OPTIONS IN DISPOSING OF NICARAGUAN COTTON BUT THAT COMPANIES PREFERRED TO BUILD OWN FACILITIES WITH MINIMUM GOVERNMENT INTERVENTION.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANAGU 00765 251554Z

6. BROKERS FELT WORLD MARKETS HAD HIT BOTTOM AND TREND WAS FOR MILD IMPROVEMENT IN COMING MONTHS BUT MUCH BELOW LEVELS OF 1974. TEXTILE PRODUCTION HAS STABILIZED AT LOW POINT AND JAPAN WAS WORKING ITS WAY THROUGH EXCESS COTTON INVENTORY. FUTURE PRICES DEPENDED ON U.S. CONGRESSIONAL ACTION ON SETTING LEVEL OF COTTON LOANS TO FARMERS; IF RAISED AS PROPOSED TO FORTY CENTS, ELEVEN MILLION ACRES MIGHT BE PLANTED INSTEAD OF THE NINE AND A HALF PRESENTLY ESTIMATED.

THIS WOULD DEPRESS WORLD PRICES. ON OTHER HAND, MEXICO WAS CUTTING PRODUCTION FROM TWO TO ONE MILLION BALES UNDER GOVERNMENT INCENTIVES FOR GRAIN PRODUCTION.

7. PROBLEM OF FUTURE SELLING WAS NOT A NICARAGUAN PHENOMENON, MILLS WERE NOT BUYING BEYOND THREE MONTHS STOCK. THIS WOULD CHANGE WITH WORLD ECONOMIC TRENDS.

8. BROKERS ASKED PRESIDENT TO HELP IN ENSURING PRODUCER DELIVERY WHEN COTTON WAS BOUGHT. SOMOZA SAID PRODUCERS WOULD NOT SPECULATE THIS YEAR AND THAT WITH HELP OF 14,000 IMPORTED HONDURAN AGRICULTURAL WORKERS, COTTON WOULD BE DELIVERED BEFORE RAINS.

9. COMMENT: SOMOZA WAS OBVIOUSLY PLEASED WITH MEETING SINCE HE GOT ALL HE WANTED. THERE WILL BE PRODUCER LOSSES
IXNRSF

GE#COST IS THE \$.40 LB. ESTIMATED (LOSS OF \$27.50 PER BALE OR \$13.75 MILLION AT 500,000 BALES, AND \$16.5 MILLION AT 600,000 BALES). WE ARE INTRIGUED BY SOMOZA STATEMENT THAT 14,000 HONDURANS HAVE BEEN IMPORTED TO WORK IN AGRICULTURAL HARVESTING, AS THERE HAS BEEN NO PUBLIC MENTION OF THIS. MEETING WITH BROKERS (WHICH HAS BEEN WIDELY PUBLICIZED) PROBABLY ENHANCED SOMOZA REPUTATION AS MAN WHO CAN DEAL EFFECTIVELY WITH INTERNATIONAL BUSINESSMEN ON NATIONAL ECONOMIC PROBLEMS.
SHELTON

NOTE BY OCT: MANAGUA 765 #AS RECEIVED.

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COTTON, GOVERNMENT PROCUREMENT, FIELD CROPS, SALES DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 25 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANAGU00765
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750066-0525
From: MANAGUA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750215/aaaaanjv.tel
Line Count: 143
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2003 by BoyleJA>; APPROVED <10 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COTTON SAN SALVADOR ALSO FOR AGATT
TAGS: EAGR, ETRD, NU, (SOMOZA DEBAYLE, ANASTASIO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006